Mounting Arrears to Central PSUs from SEBs

399. DR. MANMOHAN SINGH: Will the Minister of POWER be pleased to state:

(a) whether Government have evolved a scheme to deal with the mounting arrears of payments due to Central PSUs from the State Electricity Boards;

(b) if so, the details thereof; and

(c) the progress made in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA): (a) to (c) Under the Chairmanship of the Prime Minister a Chief Ministers' Conference was held in March, 2001. Among other issues the Conference resolved to constitute an Expert Group to recommend a one time settlement of outstanding dues of the SEBs to the CPSUs and dues from the CPSUs to the State Power Utilities.

An Expert Group under the Chairmanship of Shri M.S. Ahluwalia, the then Member (Energy), Planning Commission was constituted in March, 2001. The Expert Group has since submitted two reports. The first report relating to one time settlement of outstanding dues was submitted in May, 2001 and the second report relating to capital restructuring and reforms was submitted in July, 2001.

The main features of the scheme recommended by the Expert Group for one time settlement of outstanding dues are as under:—

(a) The Group recommended 50 per cent waiver of surcharge/ interest on delayed payments.

(b) For the remaining dues i.e. the entire principal outstanding as well as the remaining 50% surcharge, bonds would be issued by the respective State Governments.

(c) The bonds would be issued through RBI at a tax free interest rate of 8.5% p.a.

(d) The bonds should be structured to achieve a moratorium of 5 years on repayment of principal with the entire principal being repaid between the 6th and 15th year.

(e) These bonds shall be identical to bonds issued in connection with the market borrowings of State Governments, with the attendant discipline in repayments. The bonds will be subject to lock-in restrictions that will allow release of only 10 per cent of the bonds in the secondary market each year.

(f) For ensuring timely payment of current dues in future, defaults in current payment for power/fuel should attract a graded reduction in the supply of power from central power stations and in coal supplies. Where such defaults exceed 90 days from the date of billing, the Ministry of Finance should recover these dues through adjustment against releases dues to them from the Centre.

(g) As part of the scheme, SEBs should accept reform-based performance milestones such as setting up of SERCs, metering of distribution feeders and improvement in revenue realisation. The milestones should be specified in the MOUs to be signed with the Ministry of Power.

(h) The State should be offered incentives for complying with the scheme. If SEBs do not default on their current dues and adhere to the performance milestones, CPSUs should pay them, during the first four years commencing from 1.4.2001, bi-annual cash incentives equal to 2 per cent of the value of bonds.

(i) Further— if SEBs open and maintain LCs till the end of December, 2001, CPSUs should pay them a one-time cash incentive equal to 2 per cent of the value of bonds.

(j) In addition, States undertaking reforms should also be assisted through APDP grants and discretionary allocation of power.

(k) This scheme should enter into force only after one-half of the States that have an annual billing of over Rs. 500 crore per annum from CPSUs give their consent, and should be effective in respect of the States that give such consent.

(l) The States that withhold their consent beyond 60 days after this

scheme enters into force should be denied any share in the discretionary allocation of 15 per cent from the power stations of CPSUs as well as any assistance under APDP. If the overdues of such States exceeded Rs. 50 crores in respect of any CPSU, they should also attract reduction in power and coal supplies, as applicable to the States participating in this scheme.

Following the submission of the Report of the Expert Group a high level Empowered Group consisting of Finance Minister, Dy. Chairman, Planning Commission, Minister of Power and Chief Ministers of some States met on 26.6.2001 and 6.7.2001. The Empowered Group endorsed the recommendations of the Expert Group with the following modifications:—

(i) Waiver of surcharge would now be 60% instead of 50% as recommended by the Group.

(ii) The incentives for achieving the reform-based milestones shall be increased to 6% in the first year and 5% in the second year.

Recently, Minister of Power has written to Chief Ministers of States and UTs urging them to initiate necessary steps for implementation of the scheme at the earliest.

Proposals for power projects sent by Bihar Government

† 400. SHRIMATI KUM KUM RAI: Will the Minister of POWER be pleased to state:

(a) the number of proposals in respect of power projects forwarded to Central Government for clearance by Bihar Government;

(b) the present status of these pending power projects; and

(c) the effective steps taken by Government in this regard?

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† Original notice of the question was received in Hindi.